

## INFORMATION REPORT

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SUBJECT Dissension Among the SMA and the DWK

CONFIDENTIAL

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(LISTED BELOW)SUPPLEMENT TO  
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1. Fritz Selbmann, deputy chairman of the DWK, drafted a directive on mutual exchange of products between publicly owned enterprises and presented it to the DWK Secretariat for approval in March 1949 (see Attachment One). Selbmann had previously obtained the approval of K.I. Koval of the SMA. Walter Ulbricht had seen the draft but had not specifically approved it. Selbmann intended to use this means to render the publicly owned enterprises under his control independent of the DWK Division for Economic Planning. He hoped to make concealed profits on such transactions which could be used to bolster the finances of the publicly owned enterprises. In the meeting of the Secretariat, Selbmann claimed that his directive would bring about quicker, cheaper, and less bureaucratic movement of goods and eliminate private wholesalers. The Secretariat approved the directive to be effective 1 July 1949 and the SMA agreed.
2. On 15 May Georg Handke, another deputy chairman of the DWK, was summoned to Karishorst and informed by Koval that the directive had been repealed because it was poorly thought out and would create confusion, endanger the fulfillment of reparations quotas and slow down economic development. Koval made disparaging remarks about the Economic Section of the Central Secretariat of the SED (Ulbricht) and about the Economic Planning Section of the DWK (Bruno Leuschner).
3. At the same time Koval criticized another DWK directive calling for contracts between publicly owned and private enterprises (see Attachment Two). Leuschner and Ulbricht had worked out this directive, which was intended to force private businessmen to underbid each other for public contracts. Another purpose was to grant contracts only to private firms which furnish their own raw materials. The DWK and the SMA had both approved this directive. Koval finally agreed to allow it to stand so long as the old system of assigning production quotas and raw materials to private firms is kept.

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